

FX Daily: No bounce, get trounced

Draghi's last ECB meeting is what everybody is talking about today, but we'll be looking at October PMIs for any signs of recovery and if the slowdown is starting to spread to the services sector. Elsewhere, Riksbank and Norges Bank are also meeting today but we're not expecting a whole load of action



➔ USD: More signs of an investment slowdown?

A [Fed rate cut next week](#) looks baked-in-the cake so the importance of US data now will be to shed more light on the breadth and depth of the US slowdown. Today's durable goods data will, therefore, help gauge whether US investment spending does contract both in 4Q19 and 1Q20, as we believe. The pro-risk environment gives USD a soft underbelly right now, but we see the dollar index in a 97.00-97.60 range.

⬇ EUR: No bounce, get trounced

Ahead of [Mario Draghi's last meeting as ECB President](#), we'll get to see the October run of flash PMIs. Here the focus will be on whether there have been any signs of recovery in the manufacturing PMIs and whether the slowdown in the industrial sector is starting to spread to the services sector. On the former, we would say that whilst the external newsflow (trade, Brexit, fiscal stimulus) has been slightly less hostile, rising inventories and soft order books could limit any

bounce in manufacturing optimism. Combined with a sense that the ECB is split on both current and future policy warns that investors aren't ready to rotate into Europe as a growth play yet. EUR/USD could correct to 1.1065 and possibly 1.1000 if the PMIs disappoint.

Elsewhere, we have policy meetings in both [Sweden](#) and [Norway](#). Both central banks will be faced with weaker currencies than they were expecting, but on the day we think the SEK could see some out-performance if the Riksbank sticks to the view (albeit with a delay) that policy rates should still be raised next year.

[Farewell party for Mario Draghi](#)

➔ GBP: Bojo's Mojo waning

GBP is holding onto its gains pretty well, although the newsflow suggests positive momentum could be waning. The Conservative party don't want to get caught up in a long 20-day debate on their withdrawal bill ahead of a possible election, while the path to that election is not a clear one either. Cable to trade 1.2820-1.3000.

⬆️ TRY: Sizing the central bank cut today

The central bank of Turkey meets to set interest rates today. Having cut 750bp already since the summer, consensus expects another 100bp cut from the central bank today as policymakers respond to better than expected inflation. Our Turkish economist Muhammet Mercan writes in his [CBT preview](#), inflation is well on the way to hitting the central bank's target of 12% and a cautious cut is probable today.

During the last two meetings, the TRY strengthened after the CBT cut less than the overly aggressive expectations of the money market. Currently money markets are pricing a 300bp cut today and we think that a cut in the 100-150bp range could see the TRY rally again, with an outside risk that USD/TRY trades to the 5.65 area.

[Turkey: To cut or not to cut?](#)

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